

**Indiana Finance Authority (“IFA”)
Facilities Revenue Refunding Bonds
Wabash Valley and Rockville Correctional Facilities Projects, Series 2003C and 2003D**

**Request for Liquidity Provider
1, 3, 5, and 7-Year Standby Purchase Agreement and
Direct Pay Letter of Credit
May 5, 2008**

TERM SHEET

Issuer: Indiana Finance Authority

Issue: \$73,325,000 Indiana Finance Authority
Facilities Revenue Refunding Bonds (the “Facilities Bonds”)

Type: ARS Refunding or Conversion

Trustee: The Bank of New York Trust Company, N.A.

Underlying Rating: Facilities Bonds: Aa2 (Moody’s), AA (S&P)

Security:

Facilities Bonds

The Facilities Bonds are **special, limited obligations** of the IFA (formerly, the State Office Building Commission), payable solely from and secured exclusively by the IFA’s pledge to the Trustee of the Trust Estate.

- The Trust Estate is (a) the Net Revenues, (b) the proceeds of the sale of the Bonds, (c) and all funds held under the indenture (except the applicable Revenue Fund, Operation and Maintenance Fund and Rebate Fund).
- **Lease Agreement.** The IFA expects that the Net Revenues to be used for the payment of the principal of and interest on the Facilities Bonds will be generated primarily from the Rental Rates to be paid by the Department of Administration to the IFA under the Lease Agreement.
- **Rental Payments.** The Lease Agreement requires the payment of the Rental Rates for the use and occupancy of the Wabash Valley Correctional Facility and the Rockville Correctional Facility (the “Facilities”). The amount of such Rental Rates has been sufficient to pay the principal and interest due on the Facilities Bonds through and including the current date, and it is anticipated that subsequent rental payments will be sufficient to pay principal and interest due on the Facilities Bonds in the future unless the Facility becomes unavailable for use and occupancy. (*See attached Official Statement for further details.*)
 - The payment of the Rental Rates under the Lease Agreement will be subject to and dependent upon funds having been appropriated by the General Assembly and being available for such purpose. The Lease Agreement provides that the Rental Rates are payable solely out of moneys appropriated to the Department of Administration by the General Assembly for the purpose of paying rentals thereunder and available for such purpose. The General Assembly has appropriated sufficient moneys to pay Rental Rates through June 30, 2009.
 - There is and can be under Indiana law no requirement for the General Assembly to make appropriations to pay the Rental Rates under the Lease Agreement in any Fiscal Year. If the General Assembly fails to appropriate funds to pay the Rental Rates under the Lease Agreement, it is not expected that the Department of Administration will be able to pay the Rental Rates,

and it is unlikely that the IFA will be able to pay the principal and interest due on the Facilities Bonds.

- Under Indiana law, the Department of Administration may not be obligated to pay for the use and occupancy of the Facility if the amount to be paid for the use and occupancy of the Facility is unjust or unreasonable. (*See attached Official Statement for further details.*)
- **Additional Bonds.** The IFA may issue Additional Bonds under the Indenture for the purposes of financing or refinancing the costs of Additional Facility Improvements and Refunding Bonds under the Indenture to refund all or a portion of any then outstanding Prior Bonds, the 2003 Bonds and any Additional Bonds.. (*See attached Official Statement for further details.*)
- **Official Statement.** The Official Statement attached hereto is current only as of its date. There can be no assurance that there has been no material changes in the affairs of the IFA, the State of Indiana or any other person described in the Official Statement subsequent to its dates. Additional information may be included in the annual reports, if any, which have heretofore been filed pursuant to the continuing disclosure obligations described in the Official Statement.

Amortization
Schedule:

Existing Facilities Bonds Principal Due July 1 as follows:

	2003C	2003D
2008		\$2,075,000
2009		200,000
2010	\$700,000	225,000
2011	1,550,000	225,000
2012	1,600,000	225,000
2013	1,650,000	250,000
2014	1,700,000	250,000
2015	1,750,000	250,000
2016	1,800,000	250,000
2017	10,550,000	3,400,000
2018	10,900,000	3,525,000
2019	11,250,000	3,625,000
2020	11,625,000	3,750,000

Timeline:

RFP Submitted: May 5, 2008
Bids Due: 12:00 noon, Eastern Time, May 19, 2008
Award Date: On or about May 23, 2008
Expected Closing Date: On or about July 2, 2008

Bond Counsel:

Ice Miller LLP

Attachments:

- Official Statement, Facilities Revenue Refunding Bonds, Series 2003C and 2003D
- Appendix A, Financial and Economic Statement for the State of Indiana
- Standby Bond Purchase Agreement

Bidding Requirements

The IFA is contemplating issuing all or a portion of the Facilities Bonds as uninsured variable rate demand bonds.

The IFA will accept bids for the following: (1) Uninsured Standby Bond Purchase Agreement (“SBPA”) on Facilities Bonds and/or (2) Irrevocable Direct Pay Letter Of Credit (“LOC”) on uninsured Facilities Bonds. A separate fee table (provided below) should be completed for each Facility.

In choosing the winning bid, the IFA intends to take into account the different trading levels of the Bonds as determined by the IFA with its financial advisors. The IFA will also consider the effect of multiple proposals and other factors the IFA deems appropriate. Notwithstanding any other provision contained herein, the IFA reserves the right (i) to reject any and all bids; (ii) to waive any requirement set forth herein or any irregularity contained in any bid received; (iii) to modify the terms of the proposal process; and (vi) to accept any bid deemed to be in the best interests of the IFA.

A. Proposed Fees: Please quote your proposed annual fees in basis points and provide a fee structure based upon the Facility amount (assumed to be paid quarterly in arrears). Indicate whether your fee would be different for the varying amounts of the Facility, based upon the amount of the Facility provided (up to \$73.325 million for the Facilities Bonds).

Please indicate the rate index or indices to which the Facility will be tied for purposes of calculating the interest to be paid on advances, if any.

Fee Table:

Bonds:	
Commitment (US \$ million)	
(Annual Fee in basis points)	
Term: (364-day)	
Term: 3 years	
Term: 5 years	
Term: 7 years	
Drawing Fee, if any	
Drawing Rate	
Other Fees	
Rate Index:	

B. Bank Information: Banks meeting the minimum ratings mentioned below and bidding on one of the options above are herein referred to as the “Bank.” Please provide the Bank’s short-term and long-term credit ratings over the past three years. The Bank must furnish disclosure information for inclusion in the Official Statement, together with certifications from the Bank and opinions from Bank’s counsel in a form acceptable to the IFA and its Remarketing Agents.

The minimum ratings are as follows: Long-term ratings of at least Aa3 from Moody’s Investors Service (“Moody’s”) or AA- from Standard & Poor’s Ratings Services (“S&P”), together with short term ratings of at least P-1 from Moody’s or A-1 from S&P. If rated by Fitch, AA- or better together with a short-term rating of at least F1.

Short-Term and Long-Term Credit Rating:

At Present _____	At Present _____
As of 1/1/07 - _____	As of 1/1/07 - _____
As of 1/1/06 - _____	As of 1/1/06 - _____
As of 1/1/05 - _____	As of 1/1/05 - _____

C. Legal Opinions/Bank Counsel: The IFA and the Remarketing Agents will request legal opinions from counsel to the Bank relating to the enforceability of the Facility from its U.S. counsel and foreign counsel (in the case of foreign banks). Please provide us with your choice of Bank Counsel and the name of the lead attorney. The IFA reserves the right to disapprove the choice of Bank Counsel.

Detailed fees and expenses of **a single** law firm acting as counsel for the selected Bank(s) will be reimbursed by the IFA in an amount not to exceed \$30,000. Joint proposals (consortium bids) may have legal fees in an amount not to exceed \$35,000. The IFA will pay fees of outside foreign counsel in an amount up to \$2,500 if a foreign counsel opinion is required. No reimbursement will be made for in-house foreign or domestic counsel regardless of whether they are rendering opinions. No other fees and expenses of the Bank(s) in connection with the issuance of the Liquidity Facility will be paid or reimbursed by the IFA.

D. Documentation: The terms of the Facility for the Facilities Bonds shall meet the requirement of the Trust Indenture for the Facilities Bonds. A draft of a standby purchase agreement for the Facilities Bonds is attached hereto; provided, however, this draft is subject to further review and comment.

By submission of its proposal the bidder will be committed, subject to necessary bank credit approval, to enter into a Standby Bond Purchase Agreement in substantially the form attached hereto, with such changes as are necessary for an agreement relating to insured bonds if an award is made on this basis. If a Letter of Credit is utilized, the IFA will negotiate terms with the selected provider(s). The IFA will not incur any liability to a Bank unless and until an agreement is executed by the parties. The executed agreement will constitute the full and only agreement among the parties. If for any reason an agreement is not executed and delivered, the Bank will have no recourse against the IFA, Bond Counsel or the Trustee for any expenses incurred or damages sustained.

E. Syndication: If this submission is as a lead or agent on behalf of a syndicate of banks, please provide the name, as well as the tentative participation percentage, of each member of the syndicate.

Liquidity: Facilities Bonds	<u>Name of Bank</u>	<u>Participation Percentage</u>
Lead or Agent		
Member		
Member		
Member		
Member		
Member		
Member		

LOC: Facilities Bonds	<u>Name of Bank</u>	<u>Participation Percentage</u>
Lead or Agent		
Member		
Member		
Member		
Member		
Member		
Member		

F. Terms: Provide a Summary of Important Terms or Conditions Required, if any.

G. Draws: Describe Repayment Terms for Draws.

H. Disclaimer: The IFA retains the right to reject any and all bids and to acquire a Facility for all or a portion of the Bonds.